


**ACTUARIAL NOTE
REGULAR SESSION 2009**

<p>House Bill 586 HLS 09RS-204 Enrolled/No Amendments</p> <p>Author: Representative Doerge June 16, 2009</p> <p>LA # 20.04 Teachers and State Employees' Retirement Systems: Minimum Benefit to Certain Retirees EN 5yr Ttl: See Actuarial Note</p>	<p style="text-align: center;">Preparation of this Note was directed by the Actuarial Services Division of this office</p> <div style="text-align: center;">  Steve J. Theriot, CPA Legislative Auditor </div>
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Bill Header: Relative to the Teachers' Retirement System of Louisiana (TRSL) and the Louisiana State Employees' Retirement System (LASERS), grants a minimum benefit increase to certain retirees, beneficiaries, and survivors.

Estimated Fiscal Impact:

EXPENDITURES:	2009-10	2010-11	2011-12	2012-13	2013-14	5 Year Total
State General fund	0	0	0	0	0	0
Agy Self Generated	See Below	See Below	See Below	See Below	See Below	See Below
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	0	0	0	0	0	0
Annual Total	See Below	See Below	See Below	See Below	See Below	See Below

REVENUES	2009-10	2010-11	2011-12	2012-13	2013-14	5 Year Total
State General fund	0	0	0	0	0	0
Agy Self Generated	0	0	0	0	0	0
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	0	0	0	0	0	0
Annual Total	0	0	0	0	0	0

Purpose:

Relative to the LASERS and TRSL, grants a minimum benefit to certain retirees (or their beneficiaries) who on 6/30/09, have 30 or more years of service, are receiving a monthly retirement benefit less than \$1,200, are at least 60 years old, and have been retired for at least 15 years. The minimum benefit shall be \$1,200 per month. However, no retiree will receive a benefit increase, as a result of this bill, that will exceed \$300 per month.

Existing Provisions:

Present law provides several payment options for retirement benefits, which a retiree may choose if he wishes, with benefits to continue being paid to a designated beneficiary upon his death. Such options reduce the amount of the monthly benefit that a retiree receives during his lifetime, and may in turn reduce the amount of the monthly benefit that his beneficiary receives upon his death.

Present law generally provides for survivor benefits for certain survivors of deceased members which members died prior to applying for retirement.

Present law generally provides for an employee experience account from which all LASERS and TRSL cost-of-living adjustments are payable.

Proposed Provisions:

Proposed law relative to LASERS and TRSL, provides a minimum benefit by increasing the monthly benefit for certain retirees, beneficiaries or survivors for:

- (1) any retiree who on 6/30/09, meets the following criteria:
 - (a) He has 30 or more years of service credit.
 - (b) He has been retired for 15 years or more.
 - (c) He receives a monthly retirement benefit of less than \$1,200 dollars.
 - (d) He is at least 60 years of age.
 - (e) He has neither participated in the Deferred Retirement Option Plan (DROP) nor chosen the Initial Benefit Option (IBO).
- (2) Any nonretiree beneficiary of a retiree who would meet the above criteria if the retiree were alive.
- (3) Any unmarried surviving spouse, minor child, or mentally or physically handicapped child of a deceased member, which survivor is receiving a monthly retirement benefit of less than \$1,200 on 6/30/09, the deceased member would have met all of the following criteria:

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- (a) He has been retired for at least 30 years.
- (b) He has been deceased for 15 years or more
- (c) He would have been at least age 60.
- (d) He did not participate in DROP.

Proposed law provides that such increase shall be in the form of an increase to a retiree's or beneficiary's monthly benefit in an amount equal to the lesser of \$300 per month or the amount necessary to increase his monthly benefit to \$1,200.

Proposed law provides that if any beneficiary to whom the proposed law applies is receiving a monthly benefit based upon an optional allowance pursuant to present law, which amount is less than that received by the retiree while alive, the amount of the increase payable pursuant to proposed law shall be prorated under the option chosen.

Proposed law provides that any unmarried surviving spouse, minor child, or mentally or physically handicapped child, who is receiving a survivor benefit under present law shall receive a benefit increase pursuant to proposed law. Any person who is the sole survivor of such a member shall receive the lesser of a benefit increase of \$300 per month or the amount necessary to increase his monthly benefit to \$1,200. If there are multiple persons receiving such survivor benefit, an increase of \$300 per month shall be shared equally among them.

Proposed law provides that funding for the benefit increase payable pursuant to proposed law shall come from the employee experience account.

Actuarial Cost Impact:

The actuarial present value of the additional benefits that will be provided as a result of House Bill 586 is \$6,832,253 for LASERS and \$10,236,155 for TRSL. An unfunded accrued liability will **not** be created because these liabilities have been pre-funded in the Experience Accounts of the respective systems (see below).

	LASERS	TRSL
Estimated Balance in the Experience Account on June 30, 2009	\$ 117,587,404	\$ 286,191,718
Actuarial Present Value of Benefits Provided under House Bill 586	\$ 6,832,253	\$ 10,236,155
Estimated Balance in the Experience Account after Reduction for House Bill 586	\$ 110,755,151	\$ 275,955,563

Actuarial Analysis:

Based on the 6/30/2008 census for each system, the number of retirees, beneficiaries and survivors who would be eligible, under proposed law, to a benefit increase to provide for the minimum monthly benefit is 644 for LASERS and 729 for TRSL. The increase in the average monthly benefit for these individuals is \$176.58 for LASERS and \$192.42 for TRSL. The average monthly benefit currently being received by these individuals is \$973.46 for LASERS and \$888.83 for TRSL. The weighted average age for these recipients is 81 for LASERS and 78 for TRSL.

A probability of survival, to 6/30/2009, was applied to the identified group in order to project those that would begin to receive the increased benefit. The actuarial present values associated with the benefit increase provided by proposed law were determined as of 6/30/2009.

Fiscal Impact: On July 1, 2009, the balance in the Experience Account for LASERS will be reduced by \$6,832,253 and the balance in the Experience Account for TRSL will be reduced by \$10,236,155.

Dual Referral Rules:

Estimated Fiscal Impact >= \$500,000? **YES**